

CITY OF ASHEVILLE

ECONOMIC DEVELOPMENT INCENTIVES POLICY

It is the policy of the City of Asheville to provide economic development grants for companies and industries seeking to relocate and expand business. The Economic Development Incentives Policy is designed to stimulate private sector investment, economic growth and job creation in the City by offering grants consistent with this policy and availability of funds. Moreover, it establishes a consistent manner for the City's participation in the development of business activity which will have a significant and positive effect on the economic health of the community.

The size and scope of the potential grant will be based on a number of factors, including the location of the site; the amount of capital investment in the project; the number of employees and the equity and quality of jobs created. A major component of the grant policy is to create quality, head-of-household jobs that will further stimulate the economy.

This policy consists of three possible economic development initiatives.

I. Industrial Development Grant (IDG)

The IDG program is a contract between the City and a new or existing industry where the City would make a grant to the industry for a period of up to five (5) years based on the amount of new capital investment. The grant is calculated and based upon the actual value, schedule and payment of property taxes. After the industry has "paid in full" its annual City property tax and met all other criteria as outlined in the grant document, the City will pay the industry the annual installment of the grant required in the grant document.

Each project or grant will be analyzed on an individual basis using this policy for guidance. This policy shall be subject to period review by City Council. Changing economic conditions may cause the City Council to modify, amend or even terminate the grant program.

A. Jurisdiction

This program shall apply to private investment that takes place inside the corporate limits of the City of Asheville. A petition for

voluntary annexation must accompany any grant request where the improvements are currently outside the City limits. Activities performed under this program shall be consistent with North Carolina General Statutes for Local Economic Development and all relevant standards and laws required by the State or the City of Asheville.

B. Scope

The following criteria will be utilized by City staff to determine whether a particular applicant for a grant is eligible. Additional criteria may be applied to a specific project based upon the terms of the agreement between the grantee and the City of Asheville.

1. The grantee must build a new or expand an existing business with a capital investment of \$1,500,000 or more.
2. There must be evidence of at least three (3) years of operations prior to the request for the grant.
3. There must be a minimum of five (5) employees on the current payroll and a commitment to increase and/or maintain the current labor force as approved by City Council by the grant completion date.
4. The location and type of business must be consistent with the City's long-range plans and development policies.
5. There must be proof of equity participation by the business. The minimum equity amount shall be equal to ten (10) percent of the total project cost for projects including expansion of an existing business.
6. The grantee must create and/or retain quality jobs. Manufacturing and non-manufacturing companies should pay employees a minimum of the Average Weekly County Wage as determined by the North Carolina Employment Security Commission for the appropriate industry sector.
7. Grant funds may be used to acquire or reduce the cost of real property and/or improvements; create or improve public infrastructure and site improvements, such as roads,

sidewalks, water lines or sanitary sewer lines; acquire or upgrade existing machinery and/or equipment; and/or any capital investment used in the daily operations of the existing business. The City investment in public roads, sidewalks, water lines and sanitary sewer lines will be publicly owned.

8. In addition to the above criteria, the staff in making a recommendation to the City Council to approve or disapprove of a grant will consider the following information:

- The size of the project based upon investment in the site development, plant facilities and infrastructure;
- The total number of jobs and types of jobs created;
- The relationship between jobs development and total investment;
- Potential for future expansion and increased employment;
- Site specific issues that impact upon local infrastructure responsibilities of the City;
- Site specific initiatives that may be pursued to stimulate other development areas that the City may deem of significant benefit to the community;
- Economic development initiatives from other local governments and/or the State;
- The availability of funds.

C. Eligibility

To be eligible for IDG funding, a business must be for-profit and engaged in one or more of the following activities:

1. Manufacturing and Business.
2. Service Sector. Majority of sales must be derived from interstate commerce.

3. Research and Development. The conducting of research, development or testing for scientific, food product or industrial purposes.
4. Warehousing and Distribution. Majority of revenue must be derived from interstate commerce.
5. Administrative Management Headquarters.
6. Transportation. Majority of revenue must be derived from interstate commerce.
7. Tourism Industry. Tourism attractions are expected to draw from outside a 100-mile radius. (This does not include tourism support facilities, e.g., motels, restaurants, etc.)

D. Grant Levels

IDG funding will be made based on the following schedule:

<u>Grant Levels</u>	<u>Capital Investment Bracket</u>	<u>Grant Amounts</u>	<u>Maximum Time</u>
Level 1 Grant	\$ 1,500,000 or greater	Up to 75%	5 years
Level 2 Grant	\$ 5,000,000 or greater	Up to 80%	5 years
Level 3 Grant	\$10,000,000 or greater	Up to 85%	5 years
Level 4 Grant	\$20,000,000 or greater	Up to 90%	5 years

E. Other Considerations

In addition to the criteria outlined above, the staff, in making the recommendation to City Council, will note the following issues:

1. A grant will not be awarded to any new or expanding industry which lowers the net tax payments paid to the City to a level less than the property taxes paid in the prior year.
2. Grant payments will not be made unless the applicable industry is current in all required payments to the City, including property taxes.

3. Grant benefits may not be transferred or otherwise conveyed to another party without the specific consent and prior approval of the City of Asheville.
4. Grant documents (contract) will include, but not be limited to, the following:
 - a. A commitment from the business to complete the project within a specific period of time.
 - b. A description of the proposed use of the grant funds, including a description of machinery and/or equipment, and a description of the facility or operation to be developed. The description should include the building, site size and plans; number of employees (current and projected); wage levels (current and projected); a description of the goods produced and/or services to be provided; a timetable of project performance; and any other item connected with the business project as deemed necessary by the City.
 - c. Other provisions in the agreement may be added by the City as deemed appropriate.

II. Business Development Grant (BDG)

A second type of grant the City may offer to stimulate business is designed to pinpoint and stimulate local small business expansions. The Business Development Grant (BDG) program is designed to provide the same type of assistance as the IDG, but the funding level is for all investment in projects between \$250,000 and \$1,499,999 and the length of time for the grant is up to three (3) years.

<u>Investment</u>	<u>Grant Amount</u>	<u>Maximum Time</u>
\$250,000 - \$1,499,999	Up to 75%	3 years

III. Infrastructure Development Program (IDP)

As an additional means of attracting private investment into the City of Asheville, public infrastructure and site improvements will be made available to industry. This is not a grant program. This program will provide a means for the creation or improvement of roads, sidewalks, water lines, or sanitary sewer lines. This program is meant to continue a targeted approach to planned growth.

A. Funding Levels

The amount of IDP funding will be based on a maximum of up to ninety (90) percent of the increased City property tax revenue generated for up to five (5) years. This is a reimbursement program. Payments are made on a reimbursement basis once the project is given a Certificate of Occupancy. All criteria and other requirements of the IDG and BDG are applicable to this program.

B. Contribution Levels

Maximum contribution level is ninety (90) percent of the increased City property tax revenue generated for the City for five (5) years. This is calculated as the expected yield which will be based upon the prevailing City tax rate for the five (5) year period in which the application is made.

IV. Alternative Programs

At the discretion of City Council, and in accordance with N.C.G.S. [section] 158-7.1, other incentives outside of this policy may be provided on a case by case basis. This may serve to reduce or preclude any incentive amount normally granted through the programs listed above.